

Message Text

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ACTION NEA-13

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 SCI-06 FEA-02

PM-07 NSC-10 SPC-03 SAM-01 SS-20 RSC-01 DODE-00

CIAE-00 INR-10 NSAE-00 INT-08 CIEP-02 OMB-01 L-03 H-03

IO-14 EUR-25 /141 W

----- 076216

R 060710Z FEB 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 2100

INFO AMEMBASSY NEW DELHI

AMEMBASSY KUWAIT

AMCONSUL CALCUTTA

AMEMBASSY ISLAMABAD

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DEPT ALSO PASS USINT BAGHDAD

E.O. 11652: N/A

TAGS: ENRG, BG

SUBJECT: FUEL CRISIS LOOMS, AS USUAL

REF: A. DACCA 408 B. DACCA 174 C. DACCA 5183, 11/30/73

SUMMARY-SOLE REFINERY IN BANGLADESH HAS RUN OUT OF CRUDE. ONLY 100,000 TONS LINED UP SO FAR OF 1 MILLION TON ANNUAL REQUIREMENT. SUPPLY THAT SMALL AMOUNT NOT FALT PROBLEMATIC, BUT ACUTE FOREIGN EXCHANGE SHORTAGE DOES POSE PROBLEMS. MUCH OF 500,000 TON REQUIREMENT FOR IMPORTED REFINED PRODUCT FOR CY 1974 REPORTEDLY ARRANGED, BUT MORE WILL BE NEEDED IF REFINERY CANNOT PRODUCE MORE THAN 500,000 TONS TURNED OUT IN CY 1973 (OUT OF RATED CAPACITY OF 1.2 MILLION TONS). OUTLOOK FOR POL SUPPLY RENDERED BLEAKER BY PROBABLE INABILITY OF INDIA THIS YEAR TO STEP IN AND PROVIDE AD HOC EMERGENCY SUPPLIES, AS IT HAS DONE HERETOFORE SINCE LIBERATION.

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1. BANGLADESH'S SOLE REFINERY CLOSED DOWN JAN 31, FOR LACK OF

CRUDE. IT HAD STARTED UP JAN 9, FOLLOWING TWO MONTHS' OVERHAUL, WITH CRUDE ON HAND AS OF JAN 1 OF 65,000 TONS (REF A). LATTER NOW APPARENTLY EXHAUSTED.

2. HEDAYET AHMED, ADDITIONAL SECRETARY, MINISTRY NATURAL RESOURCES, HAS CONFIRMED TO EMBOFF PRESS REPORT THAT TOURING MINISTER MAFIA CHOWDHURY HAD LINED UP SUPPLY OF 100,000 TONS CRUDE FROM IRAQ. (PRIOR TO HIS DEPARTURE MID-JAN, CHOWDHURY STATED IRAQ HAD ASSURED BANGLADESH OF SUPPLY 1 MILLION TONS, ENOUGH TO MEET ITS REQUIREMENT FOR ONE YEAR.) AHMED REPORTED THAT TANKERS WERE BEING ENGAGED THROUGH EASTERN REFINERIES LTD. DELIVERY OF CRUDE AND RE-STARTUP OF REFINERY WILL TAKE THROUGH FIRST WEEK IN MARCH.

3. AHMED NOT TOO CONCERNED ABOUT AVAILABILITY OF FURTHER CRUDE. ADDITIONAL SUPPLY NEEDED IS SMALL RELATIVE TO PRODUCTION AND REQUIREMENTS OF OTHER COUNTRIES, AND HE FEELS CAN BE FOUND. PROBLEM HOWEVER IS SECURING FOREIGN EXCHANGE ALLOCATION TO PURCHASE AND SHIP CRUDE IN SUFFICIENT QUANTITY. AHMED STRONGLY IMPLIED THAT FOREX ALLOCATION FOR IMPORTS OF POL DURING CURRENT JAN-JUNE SHIPPING PERIOD-AROUND \$45 MILLION (REF B)-MAY NOT BE SUFFICIENT FOR ADEQUATE PROCUREMENT OF CRUDE TO KEEP REFINERY GOING.

4. ON SUPPLY OF REFINED PRODUCT, AHMED MORE BULLISH. ASSERTED THAT THREE-QUARTERS OF 500,000 TON ANNUAL REQUIREMENT HAS BEEN ARRANGED. SOURCE, COST AND SHIPPING ARRANGEMENTS NOT SPECIFIED. ACCORDING TO ANOTHER INFORMANT, BANGLADESH EXPECTS TO BUY 250,000 TONS REFINED PRODUCT FROM KUWAIT NATIONAL PETROLEUM CO. DURING CY 1974, 100,000 TONS FROM INDIA, AND 140,000 TONS FROM THE USSR. THIS WOULD TOTAL 490,000 TONS (CF. 344,000 TONS IMPORTED IN CY 1973).

5. PREVIOUSLY WE HAD GOTTEN REPORT THAT BANGLADESH FUEL STOCKS CRITICALLY LOW-ONLY ENOUGH AUTOMOBILE GASOLINE AND BUNKER FUEL FOR 30 DAYS; ONLY ENOUGH HSD FOR POWER STATIONS FOR 60 DAYS, ALMOST NONE FOR TRUCK/RAIL TRANSPORT AND IRRIGATION PUMPS; PRACTICALLY NO KEROSENE LEFT. GOVERNMENT SOURCES HOWEVER REFUTE SUGGESTIONS OF IMMINENT CRISIS IN FUEL SUPPLY-PERHAPS IN ORDER TO FORESTALL HOARDING. NO PLANS FOR RATIONING YET ANNOUNCED, THOUGH RUMORS ABOUND. PRICE OF KEROSENE, WHICH POPULAR COOKING FUEL AND USUALLY IN SHORT SUPPLY, HAS BEEN REMARKABLY STABLE IN DACCA; HOARDING AT LEAST HERE APPARENTLY HAS NOT YET STARTED.

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6. THOUGH PRICTURE AT PRESENT RE REFINED PRODUCTS HAS BEEN DEPICTED AS NOT YET CRITICAL, GOVERNMENT ESTIMATE OF IMPORTS THEREOF OF 0.5 MILLION TONS FOR CY 1974 APPEARS TO BE VERY MUCH BENEATH OPTIMUM LEVEL REQUIRED. ESTIMATE OF TOTAL ANNUAL REQUIREMENT PER YEAR OF REFINED PRODUCT FROM IMPORT AND REFINERY RANGES FROM 1.3 MILLION TO 1.5 MILLION TONS. STOCKS ORDINARILY NOT HIGH-60,000 TONS REFINED PRODUCT AS OF JAN 1, 1974 (REF A). IF ONLY 0.5

MILLION IS IMPORTED, THEN ALMOST 1.0 MILLION WOULD HAVE TO BE REFINED. REFINERY HAS RATED CAPACITY OF 1.2 MILLION TONS BUT BECAUSE OF SHORTAGE OF CRUDE AMONG OTHER FACTORS, PRODUCED ONLY 0.7 MILLION IN CY 1972 AND MERE 0.5 MILLION IN CY 1973 (REFS A AND C). DESPITE BULLISHNESS ON PART OF AHMED RE FUTURE CRUDE SUPPLY, WE EXTREMELY DOUBTFUL ADEQUATE CRUDE CAN BE PURCHASED AND SHIPPED TO ENABLE REFINERY TO WORK ANYWHERE NEAR RATED CAPACITY.

7. IN PAST BANGLADESH HAS STRUGGLED FROM ONE SHORT-TERM CRISIS TO ANOTHER ON CRUDE AND REFINED-PRODUCT SUPPLY, LARGELY LEANING ON INDIA TO RETRIEVE SITUATION WITH EMERGENCY INPUTS. INDIA HAS OF COURSE CHARGED FOR THESE DIVERSIONS OF FLOW OF POL INTO BD. OFTEN THERE HAS BEEN COMPLAINT ABOUT COST AND TIMELINESS OF INDIAN SUPPLIES. GOI NO LONGER MAY HAVE MARGIN OF STOCK TO SUPPLY BANGLADESH, IF WILLINGNESS TO CONTINUE TO SHIP IN EMERGENCY SUPPLIES STILL EXISTS IN FACE OF CHRONIC BANGLADESHI COMPLAINTS. OUTLOOK FOR POL SUPPLIES OVERALL THUS VERY BLEAK.

8. IMPLICATIONS FOR ECONOMY WILL BE ANALYSED IN RESPONSE UNDER PREPARATION TO STATE 20995.
NEWBERRY

NOTE BY OCT: NOT PASSED BAGHDAD.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PETROLEUM PRODUCTS, IMPORTS, ECONOMIC REPORTS, PETROLEUM REFINING
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA00593
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740253/aaaabxhc.tel
Line Count: 138
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. DACCA 408 B. DACCA 174 C. DACCA 5, 183, 11/30/73
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by boyleja>; APPROVED <14-Aug-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FUEL CRISIS LOOMS, AS USUAL
TAGS: ENRG, BG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005